

Sunset Public Hearing Questions for
Tennessee Consolidated Retirement System, Board of Trustees
Created by Section 8-34-301, *Tennessee Code Annotated*
(Sunset termination June 2019)

- 1. Provide a brief introduction to the board, including information about its purpose, statutory duties, staff, and administrative attachment.**

The Tennessee Consolidated Retirement System Board of Trustees (TCRS) is responsible for the general administration and proper operation of TCRS within the requirements and provisions of state statute (T.C.A., Title 8, Chapters 34-37). Many of the day-to-day operational and investment duties have been delegated to the Treasurer. The Board's duties include, but are not limited to, approving all new employer participation in TCRS; approving the TCRS investment policy, approve real estate transactions and private equity commitments, adopt rules and regulations, establish the rate of interest credited to member accounts, adjudicate appeals filed by members, approval of assumptions used in the actuarial valuation, and approval of employer contribution rates developed by the actuary.

The State Treasurer serves as Chairman of the Board of Trustees and the Director of TCRS serves as Secretary to the Board. Staff of TCRS serves as administrative support.

- 2. Provide a list of board members and describe how membership complies with Section 8-34-302, *Tennessee Code Annotated*. What criteria were used in selecting members?**

Please see Attachment A for a detailed listing of the current Board membership and how that membership complies with applicable law.

Board members are selected based on the criteria established in T.C.A. §8-34-302.

- 3. Are there any vacancies on the board and, if so, what is being done to fill those vacancies?**

The teacher representative on the Board from the middle grand division is currently vacant. T.C.A. § 8-34-302(9)(A) provides that the teacher from the middle grand division is appointed by the speaker of the house of representatives. The Chairman of the Board of Trustees has sent a letter to the speaker of the house of representatives regarding appointment of the teacher representative.

- 4. How many times did the board meet during the last two fiscal years? How many members were present at each meeting? Please note any special meetings that were called by the secretary of the board under the provisions of Section**

8-34-309, *Tennessee Code Annotated*. Also, please note any meetings where the board did not have a quorum.

The Board meets quarterly. The meeting dates and number of members present are as follows:

FY 2017:

September 30, 2016 – 14

November 18, 2016 – 13

March 31, 2017 – 15

June 23, 2017 – 16

FY 2018:

September 29, 2017 – 13 (no investment committee meeting)

November 30, 2017 – 10 (no administrative committee meeting)

March 23, 2018 – 13

June 29, 2018 – 14

The Investment, Administrative, and Audit committees of the Board typically meet on the same days of the full Board meetings. In addition to meetings on the above dates, the Investment committee met on the following days:

May 9, 2017; June 8, 2017; September 5, 2017; November 17, 2017;

December 12, 2017; January 10, 2018, February 27, 2018; and May 24, 2018.

- 5. Section 8-4-302(b)(2), *Tennessee Code Annotated*, allows for removal by the appointing authority of any board member who fails to attend at least fifty percent (50%) of the required quarterly meetings. Have any members been removed from the board under this provision? If yes, please provide additional explanation.**

No member has been removed from the board under this provision.

- 6. In accordance with Section 8-34-304, *Tennessee Code Annotated*, trustees shall be reimbursed all necessary travel expenses they may incur through service to the board. How much was reimbursed to trustees during the last two fiscal years?**

Fiscal Year 2017 – \$6,449.13

Fiscal Year 2018 – \$4,576.99

- 7. What were the board's revenues and expenditures for the last two fiscal years?**

The Board does not have a revenue source and Board travel expenditures are paid through the budget of TCRS.

8. Has the board promulgated rules as authorized in Section 8-34-313, *Tennessee Code Annotated*? If rules have been promulgated, please cite the reference.

Yes. Tenn. Comp. R. and Regs. Chapters 1700-03-01, 1700-03-02, and 1700-03-03.

9. Is the board subject to Sunshine law requirements (Section 8-44-101 et seq., *Tennessee Code Annotated*) for public notice of meetings, prompt and full recording of minutes, and public access to minutes? If so, what procedures does the board have for informing the public of its meetings and making its minutes available to the public?

Yes. Meeting notices are posted to the Treasury Department and TCRS websites and the State's Public Participation Calendar website. The TCRS Board of Trustees meeting minutes are available on the TCRS website under the Meeting Minutes tab at <http://www.treasury.state.tn.us/tcrs/TrusteeMeeting.html>.

10. What policies does the board have in place to address potential conflicts of interest by board members, staff and employees?

The Tennessee Consolidated Retirement System Board of Trustees has adopted a Code of Conduct and Conflict of Interest Policy, please see Attachment B. Board members must annually attest to complying with the Code of Conduct and Conflict of Interest Policy.

11. Has the board engaged actuarial services to transact the business of the retirement system as allowed in Section 8-34-314, *Tennessee Code Annotated*? Please provide information relevant to the last two fiscal years.

Yes. An actuarial firm was selected through a competitive procurement process (RFP) in 2014 to provide services from July 1, 2014 through June 30, 2019. Utilizing the actuarial firm's services, an actuarial valuation was performed as of June 30, 2016 and June 30, 2017 with the actuarial work being performed during fiscal years 2017 and 2018, respectively. The purpose of the actuarial valuation is to determine the funded status of the pension plan and to establish the actuarially determined employer contribution rate. It is the intent of the Board that employer contributions, along with member contributions and projected investment earnings, will finance in an actuarially sound manner the cost of promised benefits.

In addition, an actuarial experience study was performed as of June 30, 2016 with the actuarial work taking place in fiscal year 2017. An actuarial experience study is performed every four (4) years. The purpose of the experience study is to develop demographic and economic assumptions to be used in the actuarial valuation.

- 12. The board is required to publish an annual report showing the fiscal transactions of the retirement system. Please provide either copies of or electronic links to the two most recent annual reports.**

The two (2) most recent TCRS annual reports are for fiscal years 2016 and 2017. The 2016 TCRS annual report can be accessed on the TCRS website at <http://www.treasury.state.tn.us/tcrs/PDFs/Annual%20Reports%20Archive/TCRS-AnnualReport-2016.pdf> and the 2017 TCRS annual report can be accessed at http://www.treasury.state.tn.us/TCRS_Annual_Reports.html.

- 13. According to Section 8-34-317, *Tennessee Code Annotated*, the board of trustees may provide for a quadrennial audit by a reliable independent auditor. If such an audit has been completed, please provide a copy of or an electronic link to the report.**

The Comptroller of the Treasury performs annual audits of TCRS. The TCRS Board of Trustees has not engaged the services of an external independent auditor. The fiscal year 2017 audit report for TCRS can be accessed at <http://www.comptroller.tn.gov/repository/SA/ag17360.pdf>.

- 14. Please provide a description of any activities related to Section 8-34-320, *Tennessee Code Annotated*, in the last two fiscal years. If available, include information about contested case proceedings and any appeals to the executive committee of the board of trustees.**

There were not any activities related to this section during the last two (2) fiscal years.

- 15. What were the major accomplishments of the board during the last two fiscal years?**

The Tennessee Consolidated Retirement System is ranked as one of the top four best funded state pension plans in 2018 by the Pew Charitable Trust. This is the direct result of the funding policy of the Board and investment performance.

The Board periodically reviews the assumptions used in performing actuarial valuations. Actuarial assumptions are used for present value determinations of estimated future plan costs and the timing of contributions to fund the estimated future plan costs. At the November 2017, the Board reviewed and adopted changes in the assumptions to be used in future actuarial valuations. Noteworthy changes include reducing the assumptions for investment return and discount rate from 7.5% to 7.25%, cost of living adjustment (COLA) from 2.5% to 2.25%, and projecting mortality six (6) years beyond the current valuation.

Investment performance has exceeded the earnings assumption of 7.5% for fiscal year 2017 and 7.25% for fiscal year 2018 as reflected in the table below:

Fiscal Year	Investment Return
2016	2.79%
2017	11.42%
2018	8.23%

16. Describe any items related to the board that require legislative attention and your proposed legislative changes.

There are not any items related to the board that require legislative attention. We anticipate presenting our annual omnibus pension bill to clarify current plan provisions.

17. Should the board be continued? To what extent and in what ways would the absence of the board endanger the public health, safety or welfare of Tennessee citizens?

Yes. The Board provides significantly important oversight of the operation and administration of TCRS where membership exceeds 218,000 active members, 138,000 retirees, and an annual retired payroll of over \$2.5 billion. Moreover, with a portfolio of more than \$48 billion, the Board plays a critically important role by establishing investment policy, risk tolerances, performance standards and allocation of funds among the various authorized asset classes. The Board's responsibility for the funded status of the plan and establishing an actuarially sound funding policy is of utmost importance to members of the plan and taxpayers.